March 11, 2022

Via electronic filing
puc.filingcenter@puc.oregon.govv

Public Utility Commission of Oregon
Attn: Filing Center
201 High St. SE, Suite 100
Salem, OR 97301

Re: UE 394 Portland General Electric Company Request for 2022 General Rate Revision

Dear Filing Center:

Attached for filing in the above-mentioned docket, is the **Reply of the Natural Resources Defense Council and NW Energy Coalition to Stipulating Parties' Response to Our Objection.**

Thank you for your assistance. If you have any questions, please do not hesitate to contact me via email at swalker@nrdc.org.

Sincerely,

/s/ Shari Walker
Western Region Administrator
NRDC

Enclosure

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 394

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY Request for 2022 General Rate Revision	))))))	REPLY OF THE NATURAL RESOURCES DEFENSE COUNCIL AND NW ENERGY COALITION TO STIPULATING PARTIES' RESPONSE TO OUR OBJECTION

In response to ALJ Lackey's Scheduling Memorandum of February 22, 2022, the Natural Resources Defense Council (NRDC) and the NW Energy Coalition (NWEC) submit this Reply to the Stipulating Parties' Response to Our Objection to the Third Partial Stipulation in this proceeding.

Some of the Stipulating Parties, including Oregon Citizens' Utility Board (CUB), Staff, and Portland General Electric (PGE), have worked with NRDC and NWEC for decades on Oregon's clean energy transition and are widely recognized regional and national leaders on affordable decarbonization. This filing represents a rare disagreement among parties with many common interests. But it is an emphatic disagreement, going to the heart of this Commission's mission and priorities.

In Supplemental Joint Testimony filed on March 2, 2022, those supporting the termination of revenue decoupling for PGE "respond to the National [*sic*] Resources Defense Council and NW Energy Coalition's letter and add to the record regarding one item included in the Third Partial Stipulation (p. 1: 20-23)." Putting aside their puzzling inability to recall the name of an institution that has been active in Oregon for the past five decades,[1] this filing is telling in its acknowledgement that none of the parties to the Partial Stipulation initially sought in this proceeding to eliminate revenue decoupling, that PGE initially proposed to extend it, and that neither CUB nor Staff opposes continuing the mechanism in its current form (p. 9: 7-10). But PGE sought modifications in the mechanism, and when other parties balked, PGE offered termination instead. The other Stipulating Parties agreed, which is unsurprising, since (as they observe with disarming candor) none of them wanted revenue decoupling for PGE in the first place (pp. 2-3). But the parties didn't bother to provide any evidence in support of their terse

[1] The *Natural* Resources Defense Council established its first Western Office in 1972. Four of NRDC's co-founders were Oregonians, including John Bryson, the Western Office's first Director. Angus Duncan is our long-time principal representative in Oregon, and more than 12,000 Oregonians are NRDC members.

recommendation to restore a long discredited throughput-based business model that the Commission decisively rejected when it approved revenue decoupling for PGE in 2009.[2]

The lack of any rationale or evidence for so fundamental and misguided a policy shift prompted NRDC and NWEC to intervene in opposition. Pressed by the NRDC/NWEC Objection to strengthen a non-existent case,[3] the anti-decoupling parties now offer three rationales, none accompanied by supporting evidence or even a review of actual experience with the current decoupling mechanism. The first rationale is that Oregon doesn't need revenue decoupling because it has an independent Energy Trust administering energy efficiency programs (p. 4:20). But the Commission squarely addressed that contention in its order adopting decoupling:

> *We find this position unpersuasive, because PGE does have the ability to influence individual customers through direct contacts and referrals to the ETO. PGE is also able to affect usage in other ways, including how aggressively it pursues distributed generation and on-site solar installations; whether its supports improvements to building codes; or whether it provides timely, useful information to customers on energy efficiency programs. We expect energy efficiency and on-site power generation will have an increasing role in meeting energy needs, underscoring the need for appropriate incentives for PGE.*[4]

Without explaining whether their ETO rationale is more compelling now than when the Commission decisively rejected it in 2009, the anti-decoupling parties go on to contend that Oregon has recently strengthened its statutory mandate that PGE "plan for and pursue all available energy efficiency resources that are cost effective, reliable and feasible" (p. 4: 12-13) (never mind that statutory mandates to prioritize "cost-effective energy efficiency" in Oregon date back to 1980[5]). They go on to assert, without explanation, that "[t]his binding language removes the disincentive to invest in energy efficiency that decoupling was meant to help eliminate" (p. 4: 14-15). But how can a statutory mandate by itself "remove" a strong financial disincentive? The anti-decoupling parties do not say, but they later reframe the argument: "The Stipulating Parties believe that a legal mandate is more effective than a mechanism at removing a disincentive (p. 5: 19-20)." They offer no counter to the obvious rejoinder: why not use *both* to remove the disincentive? While a statutory mandate is certainly important, its effectiveness depends on many other factors that influence utility and customer behavior, including the utility's financial interests. A mandate to save energy coupled with financial disincentives to succeed means that the utility is likely to do the bare minimum, drag its feet, and/or pursue less effective energy efficiency programs and investments.

Finally, the anti-decoupling parties assert that revenue decoupling is somehow a deterrent to vehicle electrification, despite the evidence to the contrary marshalled in the NRDC/NWEC Objection (pp. 2-3). Without actually disputing any of NRDC/NWEC's arguments against

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[2] https://apps.puc.state.or.us/orders/2009ords/09-020.pdf, pp. 26-30 (January 2009).
[3] https://edocs.puc.state.or.us/efdocs/HAP/ue394hap132740.pdf; Attachment 1.
[4]See Order No. 09-020 (Jan. 22, 2009), p. 27. The order is cited and quoted more fully in the NRDC/NWEC Objection, note 3 above, p. 2.
[5] See, e.g., section 4 of the Pacific Northwest Electric Power Planning and Conservation Act of 1980, 16 USC 839b.

disincentivizing crucial vehicle efficiency improvements, the anti-decoupling parties argue that decoupling "reduces the incentive PGE has to accelerate transportation electrification." (p. 7: 8-9). But they overlook key provisions of SB 1547 (attached), the very statute that they cite for other purposes, in which the Oregon legislature directed PGE to propose "programs to accelerate transportation electrification," while also affording the utility a robust financial incentive to comply fully. The statute provides for "a return of and a return on an investment made by an electric company" on programs to accelerate transportation electrification that "(s)hall be recovered from all customers of an electric company in a manner that is similar to the recovery of distribution system investments." CUB and PGE, along with NRDC and NWEC, were prominent supporters of SB 1547 prior to its enactment in 2016.[6]

Decoupling enhances utility investment in transportation electrification by helping to ensure that such investments benefit all customers. PGE has long justified its transportation electrification initiatives on the grounds that widespread EV charging will put downward pressure on everyone's rates and bills, regardless of whether they own EVs. NRDC and NWEC agree. But decoupling is crucial to making that promise come true, by automatically returning revenues in excess of authorized costs to all utility customers in the form of lower rates and bills when electricity sales grow as electrification advances. When the anti-decoupling parties say that "[r]emoving decoupling is an administratively simple method of keeping the electric charging revenues with the company (p.8: 5-6)," what they are really saying is that PGE should be permitted to keep throughput-related windfall gains that otherwise would be returned to all customers. In sum, maintaining decoupling allows PGE to push rates and bills down, avoid automatic penalties if vehicle efficiency improves, and earn a return on investments to accelerate transportation electrification.

CONCLUSION

Notably, the anti-decoupling parties do not say in their Response that extending the mechanism instead would eliminate their support for the Third Partial Stipulation. We urge the Commission to make clear that its willingness to approve that stipulation is contingent on a further extension of PGE's decoupling mechanism. NRDC/NWEC would also support and participate in a subsequent Commission review of whether and how the mechanism can be improved, but we strongly oppose termination.

Respectfully submitted this 11th day of March, 2022,

\/s/ Ralph Cavanagh	*\/s/ Lauren McCloy*
Ralph Cavanagh Natural Resources Defense Council	Lauren McCloy NW Energy Coalition

[6] See, e.g., https://www.nrdc.org/experts/max-baumhefner/oregon-votes-plug-its-cars-renewable-energy.

Reply of the Natural Resources Defense Council and NW Energy Coalition to Stipulating Parties' Response to Our Objection

ATTACHMENT

SB 1547 Transportation Electrification Provisions

TRANSPORTATION ELECTRIFICATION PROGRAMS

SECTION 20

(1) As used in this section:

(a) "Electric company" has the meaning given that term in ORS 757.600.

(b) "Transportation electrification" means:

(A) The use of electricity from external sources to provide power to all or part of a vehicle;

(B) Programs related to developing the use of electricity for the purpose described in subparagraph (A) of this paragraph; and

(C) Infrastructure investments related to developing the use of electricity for the purpose described in subparagraph (A) of this paragraph.

(c) "Vehicle" means a vehicle, vessel, train, boat or any other equipment that is mobile.

(2) The Legislative Assembly finds and declares that:

(a) Transportation electrification is necessary to reduce petroleum use, achieve optimum levels of energy efficiency and carbon reduction, meet federal and state air quality standards, meet this state's greenhouse gas emissions reduction goals described in ORS 468A.205 and improve the public health and safety;

(b) Widespread transportation electrification requires that electric companies increase access to the use of electricity as a transportation fuel;

(c) Widespread transportation electrification requires that electric companies increase access to the use of electricity as a transportation fuel in low and moderate income communities;

(d) Widespread transportation electrification should stimulate innovation and competition, provide consumers with increased options in the use of charging equipment and in procuring services from suppliers of electricity, attract private capital investments and create high quality jobs in this state;

(e) Transportation electrification and the purchase and use of electric vehicles should assist in managing the electrical grid, integrating generation from renewable energy resources and improving electric system efficiency and operational flexibility, including the ability of an electric company to integrate variable generating resources;

(f) Deploying transportation electrification and electric vehicles creates the opportunity for an electric company to propose, to the Public Utility Commission, that a net benefit for the customers of the electric company is attainable; and

(g) Charging electric vehicles in a manner that provides benefits to electrical grid management affords fuel cost savings for vehicle drivers.

(3) The Public Utility Commission shall direct each electric company to file applications, in a form and manner prescribed by the commission, for programs to accelerate transportation electrification. A program proposed by an electric company may include prudent investments in or customer rebates for electric vehicle charging and related infrastructure.

(4) When considering a transportation electrification program and determining cost recovery for investments and other expenditures related to a program proposed by an electric company under subsection (3) of this section, the commission shall consider whether the investments and other expenditures:

(a) Are within the service territory of the electric company;

(b) Are prudent as determined by the commission;

(c) Are reasonably expected to be used and useful as determined by the commission;

(d) Are reasonably expected to enable the electric company to support the electric company's electrical system;

(e) Are reasonably expected to improve the electric company's electrical system efficiency

and operational flexibility, including the ability of the electric company to integrate variable generating resources; and

(f) Are reasonably expected to stimulate innovation, competition and customer choice in electric vehicle charging and related infrastructure and services.

(5)(a) Tariff schedules and rates allowed pursuant to subsection (3) of this section:

(A) May allow a return of and a return on an investment made by an electric company under subsection (3) of this section; and

(B) Shall be recovered from all customers of an electric company in a manner that is similar to the recovery of distribution system investments.

(b) A return on investment allowed under this subsection may be earned for a period of time that does not exceed the depreciation schedule of the investment approved by the commission. When an electric company's investment is fully depreciated, the commission may authorize the electric company to donate the electric vehicle charging infrastructure to the owner of the property on which the infrastructure is located.

(6) For purposes of ORS 757.355, electric vehicle charging infrastructure provides utility service to the customers of an electric company.

(7) In authorizing programs described in subsection (3) of this section, the commission shall review data concerning current and future adoption of electric vehicles and utilization of electric vehicle charging infrastructure. If market barriers unrelated to the investment made by an electric company prevent electric vehicles from adequately utilizing available electric vehicle charging infrastructure, the commission may not permit additional investments in transportation electrification without a reasonable showing that the investments would not result in long-term stranded costs recoverable from the customers of electric companies.

SECTION 21

For purposes of section 20 of this 2016 Act, electric vehicle charging and related infrastructure must be installed on or after July 1, 2016.

SECTION 29

The Public Utility Commission shall direct each electric company in this state to file applications as required by section 20 of this 2016 Act on or before December 31, 2016.

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 394

In the Matter of	)	
	)	
PORTLAND GENERAL ELECTRIC COMPANY	)	**CERTIFICATE OF SERVICE**
	)	
	)	
Request for 2022 General Rate Revision	)	

I hereby certify that I have this day served a copy of the **Reply of the Natural Resources Defense Council and NW Energy Coalition to Stipulating Parties' Response to Our Objection**, in the above-mentioned proceeding by delivering a copy via email.

Executed on Friday, March 11, 2022 at San Francisco, California.

Shari Walker
Natural Resources Defense Council
111 Sutter St., 20th Floor
San Francisco, CA 94104
415-875-6179
swalker@nrdc.org

Service List for UE 394
(as of 03/11/22)

C=Confidential
HC=Highly Confidential

PGE	
PORTLAND GENERAL ELECTRIC	pge.opuc.filings@pgn.com
CALPINE SOLUTIONS	
GREGORY M. ADAMS **(C)** **(HC)** RICHARDSON ADAMS, PLLC	PO BOX 7218 BOISE ID 83702 greg@richardsonadams.com
STAFF	
STEPHANIE S ANDRUS **(C)** PUC STAFF--DEPARTMENT OF JUSTICE	BUSINESS ACTIVITIES SECTION 1162 COURT ST NE SALEM OR 97301-4096 stephanie.andrus@doj.state.or.us
WALMART	
VICKI M BALDWIN **(C)** PARSONS BEHLE & LATIMER	201 S MAIN ST STE 1800 SALT LAKE CITY UT 84111 vbaldwin@parsonsbehle.com
CALPINE SOLUTIONS	
GREG BASS CALPINE ENERGY SOLUTIONS, LLC	401 WEST A ST, STE 500 SAN DIEGO CA 92101 greg.bass@calpinesolutions.com
FRED MEYER	
JUSTIN BIEBER **(C)** FRED MEYER/ENERGY STRATEGIES LLC	215 SOUTH STATE STREET, STE 200 SALT LAKE CITY UT 84111 jbieber@energystrat.com
SBUA	
JAMES BIRKELUND SMALL BUSINESS UTILITY ADVOCATES	548 MARKET ST STE 11200 SAN FRANCISCO CA 94104 james@utilityadvocates.org
FRED MEYER	
KURT J BOEHM **(C)** BOEHM KURTZ & LOWRY	36 E SEVENTH ST - STE 1510 CINCINNATI OH 45202 kboehm@bkllawfirm.com
RALPH CAVANAGH NATURAL RESOURCES DEFENSE COUNCIL	111 SUTTER ST FL 20 SAN FRANCISCO CA 94104 rcavanagh@nrdc.org
WALMART	
STEVE W CHRISS **(C)** WAL-MART STORES, INC.	2001 SE 10TH ST BENTONVILLE AR 72716-0550 stephen.chriss@wal-mart.com
NIPPC	

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C=Confidential
HC=Highly Confidential

Party / Name	Address
CARL FINK BLUE PLANET ENERGY LAW LLC	628 SW CHESTNUT ST, STE 200 PORTLAND OR 97219 cmfink@blueplanetlaw.com
OREGON CITIZENS UTILITY BOARD	
WILLIAM GEHRKE **(C)** OREGON CITIZENS' UTILITY BOARD	610 SW BROADWAY STE 400 PORTLAND OR 97206 will@oregoncub.org
STAFF	
JILL D GOATCHER **(C)** PUC STAFF--DEPARTMENT OF JUSTICE	BUSINESS ACTIVITIES SECTION 1162 COURT ST NE SALEM OR 97301-4096 jill.d.goatcher@doj.state.or.us
OREGON CITIZENS UTILITY BOARD	
MICHAEL GOETZ **(C)** OREGON CITIZENS' UTILITY BOARD	610 SW BROADWAY STE 400 PORTLAND OR 97205 mike@oregoncub.org
AWEC	
JESSE O GORSUCH **(C)** **(HC)** DAVISON VAN CLEVE	1750 SW HARBOR WAY STE 450 PORTLAND OR 97201 jog@dvclaw.com
NIPPC	
SPENCER GRAY NIPPC	sgray@nippc.org
SBUA	
DIANE HENKELS **(C)** SMALL BUSINESS UTILITY ADVOCATES	621 SW MORRISON ST. STE 1025 PORTLAND OR 97205 diane@utilityadvocates.org
CALPINE SOLUTIONS	
KEVIN HIGGINS **(C)** **(HC)** ENERGY STRATEGIES LLC	215 STATE ST - STE 200 SALT LAKE CITY UT 84111-2322 khiggins@energystrat.com
FRED MEYER	
JODY KYLER COHN **(C)** BOEHM, KURTZ & LOWRY	36 E SEVENTH ST STE 1510 CINCINNATI OH 45202 jkylercohn@bkllawfirm.com
PGE	
LORETTA I MABINTON **(C)** **(HC)** PORTLAND GENERAL ELECTRIC	121 SW SALMON ST - 1WTC1711 PORTLAND OR 97204 loretta.mabinton@pgn.com
LAUREN MCCLOY NW ENERGY COALITION	811 1ST AVE SEATTLE WA 98104 lauren@nwenergy.org

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C=Confidential
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AWEC		
	CORRINE MILINOVICH **(C)** **(HC)** DAVISON VAN CLEVE, P.C.	1750 SW HARBOR WAY, STE. 450 PORTLAND OR 97201 com@dvclaw.com
STAFF		
	MATTHEW MULDOON **(C)** PUBLIC UTILITY COMMISSION OF OREGON	PO BOX 1088 SALEM OR 97308-1088 matt.muldoon@puc.oregon.gov
OREGON CITIZENS UTILITY BOARD		
	Share OREGON CITIZENS' UTILITY BOARD OREGON CITIZENS' UTILITY BOARD	610 SW BROADWAY, STE 400 PORTLAND OR 97205 dockets@oregoncub.org
	MICHELLE ORTON-BROWN WALMART	morton-brown@parsonsbehle.com
AWEC		
	TYLER C PEPPLE **(C)** **(HC)** DAVISON VAN CLEVE, PC	1750 SW HARBOR WAY STE 450 PORTLAND OR 97201 tcp@dvclaw.com
	WILLIAM STEELE **(C)** BILL STEELE AND ASSOCIATES, LLC	PO BOX 631151 HIGHLANDS RANCH CO 80164 w.steele1@icloud.com
PGE		
	JAY TINKER **(C)** PORTLAND GENERAL ELECTRIC	121 SW SALMON ST 1WTC-0306 PORTLAND OR 97204 pge.opuc.filings@pgn.com